



DEPARTMENT OF STATE

Washington, D.C. 20520

July 6, 1976

STAT

[Redacted]
Analytical Techniques Group
Office of Political Research
Central Intelligence Agency
Washington, D.C. 20505

STAT

Dear [Redacted]

By way of introduction, I am a Foreign Service Officer now working in the Bureau of Politico-Military Affairs here in the Department. I spent the 1972-73 academic year at Stanford University, doing some "decision analysis" work under Professor Ron Howard.

My current project is the attached memorandum on "The Arms Sales Problem" which argues that this country should put tighter constraints on our exports of conventional weapons to developing countries. A portion of my argument is that more modern analytical techniques, such as "decision analysis", could be of great use in helping decision makers get a firmer grip on the issues of long-term risks inherent in arms sales. I have bounced this suggestion off Professor Howard and received the attached letter in reply. I would be very grateful for your opinion on the possible application of more modern analytical techniques, such as "decision analysis", to the arms sales decision-making process.

If convenient, I also would ask you to pass the second copy of my paper to whatever office in the Agency has primary responsibility for arms sales policy.

Thanks very much for your assistance.

Sincerely,

John A. Graham
Office of International
Security Policy
Bureau of Politico-
Military Affairs
Rm. 7323 Tel. 632-8018

State Dept. review completed

Attachments: 1. "The Arms Sales Problem" (2 cps)

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

31 August 1976

John A. Graham
Office of International Security Policy
Bureau of Politico-Military Affairs
Room 7323
Department of State
Washington, D.C. 20520

Dear Mr. Graham:

First, let me apologize for not responding to your letter of 6 July much earlier. I routed your paper on to others for their comments, and it simply fell prey to the backlogs that develop during the summer vacation season.

I heartily agree with you that every effort should be made to explore ways in which new analytical techniques can be used to improve the factual and estimative support provided to U.S. policymakers. Indeed, this is one primary function of OPR's newly-renamed Methods and Forecasting Group.

Your checklist of questions ("criteria") that should be addressed before reaching a decision on any major arms transfer is a good one. But the problem remains of how to answer these with greater certitude than in the past. Since your paper is somewhat vague on this point, I am unable to comment meaningfully on the methodology you propose. I would, of course, be glad to discuss your ideas with you directly should you so desire.

Sincerely,

STAT



Special Assistant
Director, Political Research



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Sincerely,



Special Assistant
Director, Political Research



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INSTRUMENT OF ENGINEERING-ECONOMIC SYSTEMS

School of Engineering
STANFORD UNIVERSITY
Stanford, California 94305

RONALD A. HOWARD
Professor

March 11, 1976

Mr. John A. Graham
Bureau of Politico-Military Affairs
Office of International Security Policy
Department of State
Washington, D.C. 20520

Dear John:

It was good to hear from you again after all these years. I think your deduction is correct that decision analysis could be of help in clarifying policy decisions in arms sales. Lately, we have applied decision analysis to a variety of problems that range from nuclear fuel reprocessing through synthetic fuel commercialization to controlling the kill rate of porpoises caught in connection with purse seining for tuna. In all these problems, and in others, we have yet to reach the point where the methodology is not significantly helpful. The problem is not lack of theory or technique, but rather the reservations that people have about trying any new approach.

I suspect that the most crucial questions in the arms transfer decision will revolve around value issues. I see no fundamental problem in placing the decision within a logical framework. For example, in an earlier project, part of the decision model involved modeling the political relations in a certain part of the world to determine how U.S. actions might affect the probability of different outcomes of interest to the U.S. The possibility of intervention by other world powers was explicitly included.

Thus, I am very optimistic about the possibility of performing a decision analysis on this important question. However, it would not be a simple job. The idea of studying it in the decision analysis practice course is interesting, but perhaps it would be like confronting a newly graduated M.D. with the problem of doing a heart transplant. I think your problem is one that will require extensive analysis by qualified decision analysts if it is to produce results that can be relied upon for decision making purposes.

Thank you for writing. I wish you every success in encouraging the use of systematic procedures for policy decisions.

Sincerely,

Ronald A. Howard

RAH/ag

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The Arms Sales Problem

Introduction

The level of world arms sales to non-Communist Third World countries has mushroomed during the 1970's. Enough unfilled orders remain on the books of supplier states (principally the United States) to insure a continuing delivery rate to LDCs* of at least \$5-6 billion annually through 1980-81, even in the unlikely event of no new orders. In short, the outlook over the next several years is for continuing deliveries of massive amounts of the most modern military equipment, most of it to the world's most volatile regions.

Despite growing public and Congressional criticism that arms sales, and particularly the US supplier role, may have grown out of control, the Administration's efforts to weigh effectively the new risks inherent in these expanded sales have been little more than old wine in new bottles. The Administration's present arms sales philosophy -- the old wine -- now suffers from four major defects, and to a greater or lesser extent, so will any new policies which reflect it:

-- it undervalues the central problem of long-term risks inherent in massive arms sales to politically volatile regions in a nuclear age;

* Arms sales to Europe are not considered in this paper.

-2-

-- it undervalues the moral issues;

-- it is unduly negative on the prospects for establishing multilateral restraints;

-- it views Congress as an adversary, thereby insuring an increasingly antagonistic relationship and continuing Congressional "interference" in the Executive's arms sales processes.

We have, should we choose to take it, the opportunity not only of satisfying Congressional critics, but also developing a comprehensive American arms sales policy which is effective, consistent, and sensitive to the increased magnitude of the problem. Neither objective will be achieved, however, unless the Administration is ready and willing to consider real departures from present ways of selling arms. Old wine in new bottles will not be good enough.

I. The Issue of Long-Term Risk

The confidence with which a policy-maker predicts the outcomes of his policy falls off rapidly with the

length of his prediction. He is, for example, more or less confident in estimating the political and military impact of a major arms sale for six months into the future because he can fairly safely depend on the short-term continuity of regimes and political attitudes. Even beyond six months, on the positive side of the ledger, he can often point to an important base agreement or obvious economic benefits. With considerably less certainty, he can allege the long-term benefits of regional power balances sustained by diplomacy and supposedly more stable because of judicious supply of arms.

But potential long-term negative outcomes inherent in massive arms sales to volatile regions are rarely evident in the short term. It is hard to predict adverse shifts in regimes, whetted appetites which were underestimated, societies overturned by unbalanced modernization, arms races and other regional instabilities enticing superpower involvement, or imperialist ambitions using our arms in ways which were not foreseen.

The case of Iran illustrates the point: Arms sales decisions made under what now appears to have been a carte blanche from the Nixon Administration have begun to create a modern war machine for the Shah. Iran's sudden oil wealth has produced severe internal social and economic strains. The possibility of the Shah's replacement by others less friendly to US interests is small but real. If that happens, would the "others", still be content to use their US-supplied power to further the stabilizing role for which we ostensibly sold it? No matter who rules Iran in the next decade, the oil supply will begin to run out soon after US supplied ships and planes have given Iranian forces an operating radius far beyond their own territory. With less-well armed neighbors still pumping larger reserves, will the "regional policeman" we have armed renew his designs on weaker but richer Gulf states?

In general, the present US arms sales philosophy simply minimizes both the possibility and potential impact of negative outcomes. Granted that the probability of their occurrence might be small, it is never zero; and if these essentially chance events do occur, the effects could be severely negative for us and perhaps out of our control. It needs a lot of faith in our luck and diplomatic skill to believe that, over years, we can prevent fire by skillfully adding tinder, or that a fire, once lit, would some-

how leave our interests unscathed. There are long terms risks in arms sales, and the difficulty of their definition in no way lessens their reality.

This does not argue that no arms sale can be in our interest. On the contrary, in some cases benefits may outweigh risks, or there may be no other way to serve a specific foreign policy goal, despite the risks. It argues only that long-term risks often are not given sufficient weight in our present arms sales decision analysis.

A. Toward Better Analysis of Long-Term Factors

We need to make the long-term factors in arms sales more credible to the decision maker and to improve his tools to weigh them as a real element in the decision-making process. In essence, we need to make him and ourselves more comfortable in dealing with issues of probability and risk.

The path towards a better evaluation of long-term factors in arms sales is twofold:

-- Gain broad governmental acceptance and use of a set of criteria for arms sales which adequately address the question of long-term risk.

-- Use more modern analytical techniques to apply these criteria effectively to the full range of arms sales decisions.

1) Criteria in Arms Sales Decisions

Such criteria are already well known, either explicitly or implicitly, to the arms transfer community. Both the Congress and agencies of the Executive Branch over the years have come up with lists of principles, guidelines and yardsticks, all more or less aimed at a more rational, measured and farsighted approach to arms transfers. The problem, as will be discussed later, is that these "principles," lacking a formal structure, broad governmental acceptance and a strong implementing authority, are not consistently used.

Essentially, the "principles" ask the following questions:

a) Political and Military

-- What do we gain? For example:

- access to facilities?
- securing critical resources?
- support for diplomatic initiatives?
- regional stability?
- foreclosure of area to adversaries?
- "friendly ties"?

-- How do these gains relate to our broader policies toward the area?

-- Could any of these gains be achieved through other means? Can we convincingly specify the losses to us if the sale is not made?

-- What are probable effects on regional instability, including arms races?

-- Would such instability, if the transaction increased it, invite confrontation of major powers?

-- Could our sales fuel local ambitions for regional domination which, combined with new power, create a whole new set of problems?

-- How likely is it that this regime would, even unwillingly, transfer our weapons to forces (e.g. terrorists) hostile to our interests?

-- Can the recipient state and society handle the stresses of modernization inherent in our program?

-- What are the chances of the life of his regime? If this regime goes, how consonant will be the interests of probable successors to our interests?

-- If our relations sour for any reason with the leadership of this country, can we turn off this program, and at what political and military costs?

- What will be the reactions of neighboring states to the sale? Of other major powers (friend and foe)? Of domestic opposition parties, groups and forces? How will these reactions affect our national interests?
- Will there be pressures for early delivery which could force trade-offs between political gain and the readiness of our own forces? How many in-country Americans will be needed to implement this program and how do we evaluate the political effect of their presence?

b) Economic

- What will be the specific economic benefits to us of this transfer (e.g. improved US BOP balance-of-payments, reduced unit costs of US weapons, maintenance of essential US defense industries)?
- What will be the effect on the US technological base?
- What will be the economic effects on the recipient country and its region?

c) Social/Moral

- What is the global public "image" of this regime (including its record in human rights) and what will be the costs/benefits for our own "image" of our support for it denoted by this transfer?
- What is the probable spectrum of eventual uses for these arms? Would the American public, if fully informed, be comfortable with accepting our share of the responsibility for them?

d) Follow-On Effect

- What are the chances for follow-on requests from this regime? And if we believe that this transfer is just one installment of a more ambitious program, how would we evaluate that larger, hypothetical program in terms of the preceding criteria?

2) ~~Approved For Release 2002/07/03 : CIA-RDP80T01002A000200070001-7~~

American companies in volatile industries have learned that even the most skilled and savvy managers make better decisions when they can more systematically analyze probabilistic factors, including the long-term risks and benefits of programs subject to chance or unpredictable developments. In fact, the whole science of "decision analysis" has sprung up to assist decision-makers in systematically applying their common sense and experience across a range of futuristic problems.

In Washington, we tend to view probabilistic techniques as subjective sorcery and ignore the real benefits they can provide. It is certainly true that "decision analysis" techniques are no substitute for a good decision-maker. What they are, however, is a discipline which forces the decision-maker a) to identify probable forks in the road and the likely range of chance events as the effects of his decision spin off into the future; b) to attempt to estimate the likelihood of alternative outcomes to chance events; and c) to attempt to estimate the benefits and debits associated with alternative outcomes.

This logical structure then feeds back to the decision-maker the implications of his original assumptions and estimates. The structure also allows the decision-maker to "play around" with a range of assumptions and estimates to determine which are the most important in affecting outcomes; those variables then become the ones on which he concentrates.

Criteria like those outlined earlier provide the basis for sound analysis of arms sales problems. More modern and effective techniques can assist decision-makers in applying such criteria effectively to the full-range of arms sales analyses: What might happen? What are the chances of it happening? What will be the effects if it does? How should the answers to these questions affect the decision to be made? The resources do exist to make analysis of probabilistic factors a more real, believable and useful input to current arms sales decisions.

B. The Question of Diplomatic Flexibility

Better analysis of long-term factors counts for nothing unless the analysis is used. The problem is that many important arms transfer decisions seem to be made without reference to the kind of disciplined analysis of which we are already capable, let alone to something better. In such cases the primary argument against more thorough

analysis is that it might cut into the "flexibility" of our leaders to influence key foreign regimes and to work for specific political ends -- a flexibility which the Executive Branch has come to view as essential for the effective conduct of foreign policy.

No one, of course, argues that the retention of substantial latitude of decision by our statesmen is not a valuable element of our foreign policy, or that the instincts of our statesmen are not often right. The argument is that 1) the exercise of such flexibility and the political considerations of the moment which underlie its use should not always be the decisive analytical element in regard to arms sales; and 2) that the present magnitude, complexity and potential impact of our arms sales on our own interests demand more thorough, more broadly-based and more far-sighted analysis than that now provided by the present methods.

II. The Moral Issues

In a post-Vietnam, post-Watergate and Bicentennial America, the moral issues involved in public policy decisions have assumed greater visibility and importance. Evidence is widespread, ranging from the daily content of Senate debates, to reports from State Department public speaking tours, to the dynamics of the current primary campaigns. Chagrined by our misadventures over the last decade, Americans appear to be more sensitive to our self-image as a world leader in promoting peace and equity. The result is a widespread demand for a new (or renewed) standard of high-mindedness in public policy.

A key element of the current feeling is the search for more than just coercive backing to our foreign policy. Polls indicate that Americans still want to maintain an active, leadership role in the world, but that they are not entirely comfortable with leadership which appears to many to concentrate exclusively on traditional balance-of-power politics and to lack a creative response to vital global economic and moral concerns.

That Americans are demanding a broader, more humanist foreign policy was made explicit in the reports of five high-level "Town Meetings" sponsored this spring by the Department's Public Affairs Bureau in Pittsburgh, Portland, San Francisco; Milwaukee and Minneapolis. For example:

"More generally, there was a strong desire to play a major role in world betterment and a longing for national purpose beyond self-defense." (Pittsburgh)

"In our previous report (Portland), we spoke of encountering a deep-seated yearning that the moral aspect of foreign policy issues should be a significant factor in policy decisions. In San Francisco, this yearning expressed itself in repeated calls for the US to take the lead in working toward a world order based on international law and 'right' behavior." (San Francisco)

Many in this nation are, in short, seeking new perspectives which are broader, longer range and more humanistic. The Government's responses to problems like global economic interdependence, Southern Africa and deep seabed mining illustrate a growing explicit realization of this change. The Administration's present arms sales philosophy, on the other hand, all but ignores it.

But how does an Administration incorporate moral values into its arms sales policies? In particular, which moral factors should be taken into account and what weight should they be given?

When it does not altogether submerge them, the Administration's arms sales philosophy now tends to selectively mention those moral factors which support positive decisions -- helping a courageous embattled ally (Israel) or maintaining a commitment (Korea) or aiding a regional stabilizing effort (Middle East).

The "moral balance" needs to be righted by at least equal attention to factors on the other side:

-- should stabilizing efforts fail, the large quantity of modern arms now in the hands of developing nations have greatly increased the potential level of violence and suffering from local and regional conflict;

-- purchases of modern weapons siphon off from the "have-nots" scarce resources better spent on economic development;

-- modern arms in the hands of essentially totalitarian Third World states can be (and are) used to supplement police forces in subjugating human rights.

The moral drawbacks to arms sales are real, just as long-term risks are real, despite the difficulty of their definition. While the relative weight given them as opposed to other factors will vary from case to case, they cannot be ignored. It is increasingly clear that the public and Congressional consensus necessary for an effective, consistent long-term arms sales policy will be unattainable unless moral debits are weighed more heavily and more explicitly than is now the case.

III. Multilateral Restraint in Arms Sales

If the US is to sharpen its appreciation of the long-term risk and moral elements in arms sales policy (not to speak of Congressional pressures), quite clearly we would move in the direction of more restraints than we now apply. Yet, as the following record of some past US attempts to restrain arms sales shows, unilateral US restraints, over time, are unworkable without the cooperation and participation of other suppliers:

-- the 1950 US/UK French restraint policy in the Middle East was torpedoed by the Soviets in 1955;

-- unilateral US restrictions applied to India and Pakistan in 1965 and 1971 and to Nigeria during that country's civil war were all circumvented by other suppliers;

-- unilateral US restraint toward Latin America in the 1960's was undermined by European Allies.

While some unilateral initiatives may be needed to get the process moving, it is clear that effective, long-term arms sales restraint must include effective multilateral supplier restraints.

There are a number of factors, however, which contribute to supplier disinterest in cooperative efforts toward multilateral arms supply restraints:

-- Some arms supply relationships are designed to stabilize politically volatile regional situations by

balancing regional power relationships or providing the wherewithal for proxy power to counter external threats to a region;

-- For suppliers, arms sales may provide a source of influence and support of foreign policy goals, in competition with the influence and policies of other potential suppliers;

-- Arms deals are lucrative; at least they permit economies of scale;

-- Third World countries might view any restraint policies by NATO or Warsaw Pact nations as hypocritical and discriminatory. Some of them could attempt retaliation by, for example, intimidating supplier nations dependent on a steady flow of their natural resources.

Progress toward multilateral supplier restraints depends on our ability to convince supplier states that, notwithstanding the obstacles noted above, there is a compelling overall identity of interests among suppliers to restrain their sales:

-- Arms sales are a very uncertain means of providing regional stability. Any regional arms balance is by its nature dynamic and the possibility of a destabilizing regional arms race is inherent. While arms sales may be useful in redressing the imbalance of the moment, the most stable regional balances are achieved at lower, not higher levels of arms;

-- While other factors contribute heavily, there is no doubt that large-scale arms acquisitions, even if balanced within the region, are a major source of political tension. In a nuclear age, no one can predict the escalatory course of regional conflict, especially as nuclear weapons proliferate. No one can confidently profit from higher levels of regional tension and no one loses from a restraints policy which lowers arms levels in respective client states in an even-handed way. Provided unilateral advantage by competitors is prevented, the lowering of tensions inherent in restraints on arms supply to volatile regions rationally must be seen by all suppliers as in their interests. In particular, the Western European nations recognize their severe political and economic vulnerability to another Middle East war.

-- To a greater or lesser extent, the other long term risks outlined in Section I also apply to all suppliers. An arms supply relationship by no means promises unqualified benefits to the supplier.

-- There are precedents for accepting the inevitable loss of economic profit to suppliers which would be caused by restraints on arms sales. Some restraints by system and region are already in place, despite loss of potential profit. Nuclear suppliers also have managed to put at least some perspective on the profit motive. If the political will for supplier restraint can be achieved -- through prevention of unilateral advantage, appreciation of long-term risk and enlightened self-interest -- the pressures will be available to subordinate economic interests to the extent they will be affected. If necessary, domestic economic impact programs can be used to cushion losses suffered by industries significantly damaged by arms sales restrictions. The US, at least, already manages such programs to further its goal of freer international trade; there is no reason similar initiatives would not work to decrease the commercial pressures for arms sales.

-- Supplier fear of recipient reprisals can be lessened by a restraints policy which meets recipient interests as far as possible (see III-B).

A special word is due Soviet attitudes. Like the US, the Soviets already apply some unilateral restraints. In practice, the Soviets have not transferred to LDCs certain regionally strategic systems such as surface-to-surface rockets and cruise missiles with ranges over 300 miles and the most modern high performance non-heavy bombers. Agreed multilateral restraints could halt the present erosion of these unilateral restraints. Also, since the Soviet position in Iraq and North Yemen appears to be slipping, the Soviets might see multilateral restraints in the Persian Gulf as a means of arresting a relative decline. While the Soviets appear to be vulnerable to LDC pressures and sensitivities, Moscow's adherence to the Nonproliferation Treaty and the Nuclear Suppliers Conference might indicate a willingness on some issues to ignore these factors. At a minimum, all of this suggests that the Soviets will be no more

recalcitrant than Western suppliers in following a self-interested path toward multilateral restraints.

The problem is thus not strictly one of mediating genuine conflicts of interests among suppliers, but one of halting and reversing a competitive and dangerous dynamic that no nation, supplier or recipient, can be comfortable with in the long term. The path toward multilateral arms restraints involves defining and organizing by region a latent multilateral commonality of interests among suppliers and in applying it in a strictly even-handed way to respective client states. This argument does not require an unrealistic degree of trust or high-mindedness among nations. It requires leadership and will. It rests on the premise that nations prefer to reduce threats affecting themselves and can be led to cooperate toward this end when their own self-interests are served at least as well as everyone else's, in particular those nations with whom they compete directly. It can be done.

A. Definition of "Restraints"

Multilateral supplier restraints must be organized by region and by weapons system.

1) Regional Restraints

Organization by region would better reflect regional differences in security requirements and in the quality and quantity of arms. What is destabilizing in Latin American may not be so in the Middle East. Most important, perceived threats tend to be interdependent within a region and thus so must be any restraints on arms supplied to counter those threats.

The prospects for multilateral supplier restraint agreements will be best in those regions where the level of tension is still low (Persian Gulf), or where the level and sophistication of arms is still low (sub-Saharan Africa) or where both conditions still apply (Latin America). In already well-armed regions of high tension (confrontation states of the Middle East) supplier restraint agreements may have to be coordinated with an overall political settlement.

2) Weapons System Restraints

Multilateral restraints initially will have to concentrate on those weapon systems with the greatest destabilizing

potential. Although such systems will differ from region to region, a general listing of initially realizable restraints might be:

-- Interdiction Weapons

- surface-to-surface rockets and cruise missiles above a certain range;
- bomber aircraft above a certain payload;
- tanker aircraft above a certain number.

-- Intervention Weapons

- transport aircraft above a certain number;
- amphibious assault ships above a certain number.

-- Weapons Giving new Potentials to Terrorists

- hand-held SAMs

Another possibility might be to ban advanced systems not already in the region or to limit deliveries to replacement and (selective) modernization of existing inventories.

B. Recipient Interests

Arms are important to recipients as a counter to perceived threats, as a symbol of status, as a vehicle for expansion, and as an addition to domestic police power. As mentioned earlier, recipient countries also tend to view supplier restraint policies by NATO or Warsaw Pact nations as hypocritical and discriminatory.

Yet, as in the case of suppliers, there is another set of factors which argues that even-handed arms restraints are in recipient interests as well:

- no recipient state, especially those with oil wealth, can for long tolerate a potential adversary gaining a significant unilateral advantage through arms imports. The most likely long-term result of arms purchases is thus a return to power balance at higher levels of arms, expense, and tension;

-- rising levels of political tension are inherently destabilizing and in no one's long-term interests;

-- no one can enjoy contemplating the effects of modern warfare on his own population;

-- arms purchases mean diversion of resources from other national objectives;

-- the accelerated modernization of the military sector in relation to other social sectors in a developing nation, which is inherent in a significant arms build-up, presents its own potential for domestic instability.

Since at least some recipients possess enough economic power to intimidate suppliers, it is important that multilateral restraint policies incorporate recipient interests as far as possible by:

-- low-key emphasis with recipient states on arguments which, like those above, illustrate that it is in both recipient and supplier interests to slow the pace of arms buildups.

-- an unequivocal commitment among suppliers to an even-handed program designed to maintain present power relationships within a region at minimized levels of arms;

-- a realistic approach which starts with the kind of moderate restraints described in III-A and avoids sweeping, over-ambitious measures.

It is unlikely that a balanced, patient and sensitive arms restraint strategy will so antagonize recipient states as to catalyze a strong united reaction against suppliers. Use of the "oil weapon" to counter a moderate restraints policy probably would be over-reactive, counter productive and destructively divisive among the states possessing it. Faced with a supplier decision to observe moderate and balanced restraints, the most likely recipient response would be angry acquiescence. Individual recipients who still opted for a retaliatory response would, acting alone, possess neither the will nor the means to effectively under-

mine a regional supplier restraint policy at least grudgingly accepted by neighboring states.

A special word is due multilateral recipient initiatives for arms restraints such as the 1974 Ayacucho Declaration of eight South American nations. Provided such declarations are truly substantive, proper supplier response should be simply to endorse and respect the recipient principles, in lieu of a program of supplier restraints.

IV. The Congressional Factor

Congress has been more sensitive than the Executive Branch to the increasingly obvious potential problems presented by current supplier policies on arms sales and more willing to do something about them, including attempting to ram restrictive legislation down our throats. The substantive lines of argument presented in the first three sections of this paper argue that a fresh look at our policies is wise; the present and future Congressional factor makes such a review imperative.

On October 30, 1975, 28 Senators and 68 Representatives signed two identical letters to Secretary Kissinger expressing "deep concern about the anarchic and escalating nature of the world-wide rush to acquire new weapons." Charging that the current intense competition to sell arms had gotten "clearly out of hand," the letters contended that "the fierce rivalry for the mushrooming weapons market endangers our friendly relations with our Allies; it becomes a destabilizing influence in politically volatile areas such as the Middle East; and the pattern of corruption and the potential loss of technological secrets pose risks for our national security."

The letters concluded by urging convocation of a multilateral conference of arms suppliers "to seek some rational control and coordination of what now seems to be pathological competition in foreign military sales."

Congressional concerns such as the above were responsible for the highly restrictive provisions written into the FY 76 Security Assistance legislation. The President recently vetoed this legislation in part because he felt it unconstitutionally usurped Executive prerogatives in the formulation and administration of foreign policy. While

the threat of a second veto will keep the most restrictive of these provisions out of a composite FY 76-77 bill, the Congressional sentiments expressed in the letters to Secretary Kissinger remain. If the Town Meeting polls and reports have any validity in describing the mood of the country, Congressional and public pressures to curb arms sales will be higher next year.

Yet Congress is neither qualified nor eager to watchdog every arms decision. Congress lacks both the technical assets and the constitutional prerogatives to provide its own analytical base for every major arms deal. As a result, Congressional attempts at restrictive legislation seem so crude and unworkable as to invite Executive strategems to stave them off through veto, to dodge around or through them, to see Congress as the "bad guy" -- in short to make the problem of arms transfers one of constitutional right and bureaucratic procedures and not of substantive analysis and policy. Such Executive evasive tactics are a poor substitute for tackling the real problem.

But Congress can hardly be blamed for trying to oversee arms sales policy. While bureaucratic or Constitutional prerogatives doubtless motivate some on the Hill to vote for increased restrictions, Congress as a whole is simply reflecting a growing concern over an increasingly obvious refusal of the Executive branch to provide sound leadership for an important aspect of foreign policy. The veto of the FY 76 Security Assistance bill is a principled response to a totally unnecessary impasse. Congress would have, and still will, gladly allow itself to be preempted in this matter if only the Executive would act.

V. Toward a More Rational Arms Sales Policy

A) Present US Restraints

The US does exercise some intelligent sales restraint in peripheral areas of relatively low tension and levels and sophistication of arms:

-- Some qualitative and quantitative restraints toward Latin America, sub-Saharan Africa, South Asia and the developing countries of East Asia;

-- observance of UN resolutions against arms sales to South Africa and Rhodesia.

Yet, while these restraints are certainly steps in the right direction, the Administration's overall arms sales philosophy continues to underemphasize long-term risk and moral concerns, to lack the will to promote an effective multilateral restraints program, and to promote an unnecessarily adverse relationship with Congress.

B) Recommendations

1) A Presidential Directive

Solutions of the problems outlined in this paper can be gained only through a formal Presidential directive replacing current guidance. The President should direct:

-- that more disciplined and intensive analysis be conducted of the long-term risks inherent in US arms sales to the Third World, along the lines suggested in this paper;

-- that the moral elements of arms sales policy be explicitly acknowledged and incorporated in our decisions;

-- that the Executive Branch intensify its cooperation with the Congress in defining the objectives of US arms sales policy;

-- that the US design and carry out a concerted effort to organize multilateral arms sales restraints by region and by system, along the lines suggested in this paper; that the US be prepared to take certain unilateral initiatives if necessary to begin the process;

-- that legislation be proposed to tighten restrictions on US arms salesmen soliciting orders from foreign clients before an official US decision has been made to sell the weapons system being advertised;

-- that the Executive Branch mount an effective dialogue both with Congress and the public to thoroughly explain the rationale for a more restrictive arms sales

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philosophy, along the lines presented in this paper;

-- that studies be undertaken of the possible need for economic impact programs to assist domestic industries hardest hit by additional sales restraints;

-- that the appropriate bodies be set up within the Executive Branch, as described below, with the breadth and authority to carry out the above directives.

2) Specific Procedures

To carry out the Presidential directive, this section suggests the following procedural steps:

a) For Overall US Arms Sales Policy

-- First, replace the existing arms sales machinery with a senior interagency arms sales policy review committee within the NSC framework which would:

i) draft and negotiate within the Executive Branch a set of agreed criteria for arms sales -- a series of pointed questions that will explicitly balance estimates of gain over estimates of long-term risk. The questions posed in Section I (A)(1) of this paper suggest a beginning. The questions need to be collated, debated and refined, perhaps on a regional basis, and generally approved by Congress.

ii) review all significant pending arms transfer decisions (government cash sales, commercial sales, security assistance) in the context of both the Presidential directive and the agreed criteria. This committee would also be the senior interagency policy body for directing US efforts toward building multilateral arms sales restraints. It would maintain close and consistent liaison with relevant Congressional committees, both to check readings of unique aspects of potential arms sales and to further refine the analytical framework as practice demanded. The committee would

have at least the ad hoc services of professional decision analysts. The principals of this committee would have final say within the Executive Branch on arms transfers decisions, subject only to the President.

This senior policy committee would supervise an inter-agency sub-committee on implementation, whose job would be to supervise the implementation of arms transfer policy and identify new policy issues on the basis of experience. Records of the deliberations of both committees would be circulated to all interested agencies, and to the relevant Committee(s) of Congress.

-- Second, the analytical dichotomy now existing between US unilateral and multilateral arms transfer policies formulation must end. The two are two sides of the same coin and it is impossible to effectively analyze them separately. Congressional realities must receive much greater weight than they now do in Executive Branch analyses.

b) For Multilateral Arms Sales Restraints

There are at least partial precedents for an undertaking as delicate and difficult as multilateral arms sales restraints. This year's Nuclear Suppliers agreement illustrates that productive channelling of broad self-interests can serve a global interest, even in the face of ideological differences and commercial rivalries. The Law of the Sea Conference has made considerable progress in defining a complex scheme of overlapping self-interests and trade-offs in such a way to exclude unilateral advantage. In the case of arms sales restraints as well, a well thought-out, step-by-step approach is required:

-- First, as the new Presidential directive on US arms sales policy is being implemented in Washington, issue a high-level US statement which:

- emphasizes the global risks inherent in unchecked sales of modern arms in a nuclear age;

- outlines the new considerations governing US sales policy;

- affirms US readiness to join with other nations in agreements to restrain the flow of world arms sales and to respect any regional restraints agreed to by recipient countries.

-- Second, in an effort to sensitize our allies to the changes we propose, initiate at the Political Advisor level a dialogue in NATO aimed at exploring the broad possibilities for multilateral supplier restraints. Drawing from the new Presidential guidance and the high-level statement, US negotiators would:

- explain in detail the cost/benefit framework of the more rigorous US analytical approach;

- state our moral concerns forthrightly;

- outline the new procedures to be used in Washington;

- explore domestic compensatory measures to offset economic losses within the arms industrial sectors of supplier states.

-- Third, in quiet, high-level discussions with other major Allied suppliers:

- seek agreement for more formal talks among suppliers on establishing multilateral arms restraints;

- discuss tactics for approaching the Soviets.

-- Fourth, approach the Soviets bilaterally at a high level to share substantive views, make plain the seriousness with which we viewed the problem, and press for Soviet agreement to multilateral supplier talks;

-- Fifth, organize a series of quiet multilateral talks among major arms suppliers. The purpose of such talks would be to seek agreement on a regimen of arms sales restraints, organized by region and by weapons system. US goals would be:

- to introduce a broader and more sophisticated analytical framework into the decision structures of other suppliers;

- to convince them, along the lines of argument presented in this paper, that even-handed multilateral restraints were in the interests of all; and

- to hammer out specific restraint policies by region and weapons system.


We would emphasize that our proposals would be fully backed by action from the United States.

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One thing is abundantly clear --- as by far the largest arms seller in the world, there is absolutely no chance for restraint on the current arms proliferation unless the United States takes the lead. Conversely, meaningful restraint by the US will not be tenable in the long-term without multilateral supplier agreements. The problem is much too serious for solutions to be blocked by Catch-22 logic. As the largest supplier, as the most powerful nation on earth, and as a member of a global system which may not survive even the first escalation of regional conflict to nuclear war, the United States must provide the initiative. No one else will. It may even be necessary for us to implement some unilateral restraints first in order to prove our bona fides, clarify our motives and backstop our leadership. Although reciprocity from other suppliers may be neither quick nor automatic, our size, technological position and alternative commercial opportunities insure that we can successfully bear the commercial and political risks of taking the first step in order to serve a broader interest. Common sense and national interest suggest it. Congress is demanding it. Educated to the vital long-term interests involved, the American people will support it.

The cynics claim that initial unilateral US moves toward restraint are naive in their expectation of reciprocity. It is the cynics who are naive in believing that the destabilizations inherent in spiralling arms levels in volatile states in a thermonuclear age will somehow not finally destructively involve the self-interests of all suppliers.

Drafted: PM/ISP: JAGraham: dr X28018, June 21, 1976

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